HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Ottawa*,**

CANADA MORTGAGE AND HOUSING CORPORATION

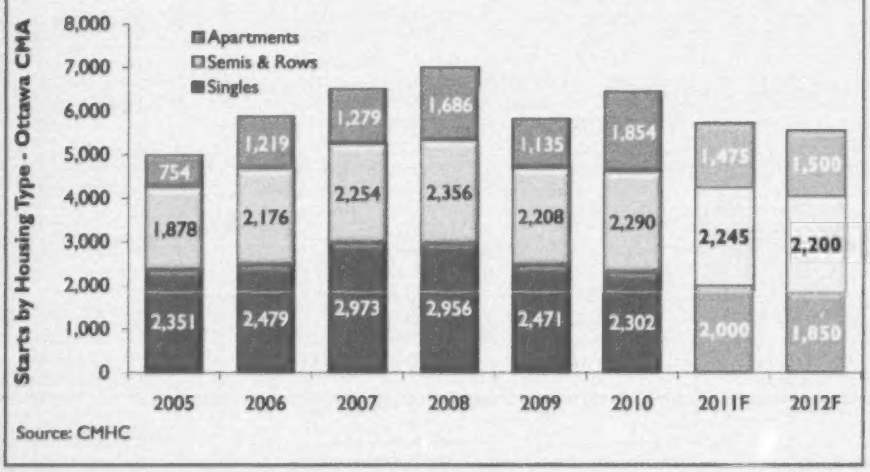
Date Released: Fall 2011

Market at a Glance

- MLS® sales in the Ottawa CMA will end 2011 on a positive note, as the region will post a decline of just 3 per cent, while average prices will grow by 5 per cent.
- Resale market activity will moderate but remain stable going into 2012, supported by low financing rates, slightly improving labour market conditions and a positive migration outlook.
- New housing starts will scale back closer to long term demographic fundamentals, with more affordable multiple-family homes dominating residential construction activity.

Figure 1

Housing Starts Stabilizing Closer to Demographic Needs



Source: CMHC

*Ontario part of Ottawa-Gatineau CMA

**The forecasts included in this document are based on information available as of October 5, 2011.

Table of Contents

1 Market at a Glance

2 Resale Market

3 New Homes Market

4 Economic Overview

4 Mortgage Rate Outlook

5 Forecast Summary

SUBSCRIBE NOW!

Access CMHC's Market Analysis Centre publications quickly and conveniently on the Order Desk at www.cmhc.ca/housingmarketinformation. View, print, download or subscribe to get market information e-mailed to you on the day it is released. CMHC's electronic suite of national standardized products is available for free.

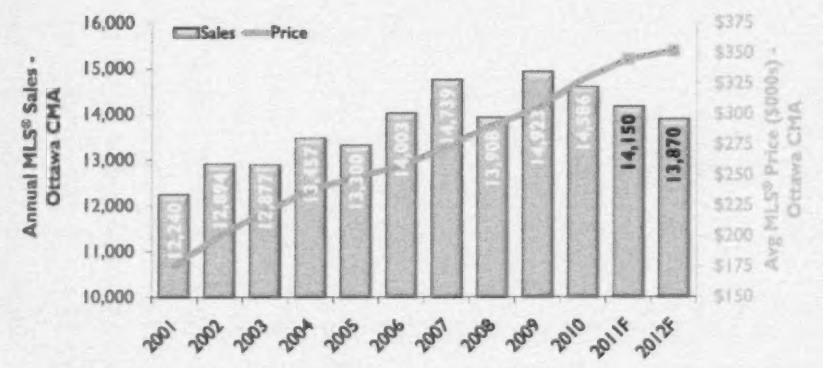
Canada

Housing market intelligence you can count on

CMHC SCHL

HOME TO CANADIANS

Figure 2



Source: Ottawa Real Estate Board, CMHC Forecast

Resale Homes Market

Housing demand will stabilize at warm levels

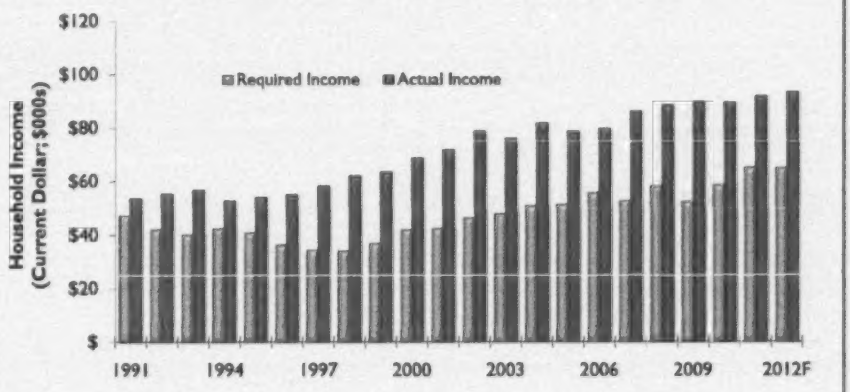
Existing home sales in the Ottawa CMA will moderate slightly in 2011 after a streak of two record years. Although resale transactions experienced a slow start of the year following a moderating trend since mid-2010, the warmer late-spring and summer home buying season brought a turn of events as resale activity picked up markedly, particularly in urban areas. This supported a slight improvement in CMHC's outlook for housing demand in Ottawa.

Expectations for resale housing demand favour a moderating outlook for 2012. The housing market will be sustained by the prospect of continued record-low mortgage rates and modest price gains. Due to emerging macroeconomic uncertainties, mortgage rates are expected to remain mostly flat at historic low levels for the forecast horizon. This expectation will encourage home buying activity and attract some potential first time buyers who have thus far remained on the sidelines. It is nevertheless expected that by the second half of 2012 the positive effects on housing demand from the low rate environment will be somewhat outweighed by the more subdued pace of economic growth and employment prospects.

Record supply levels will keep resale market in balanced territory

Low mortgage rates and increasingly alluring selling prices have attracted a rapidly rising supply of homes actively listed for sale that has in recent months attained record-high levels. This is not only suggestive of growing intentions among homeowners to move-up closer to their dream home given the favourable low mortgage rate environment, but it also reflects

Figure 3



Source: CMHC, Statistics Canada, CREA

Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 per cent gross debt service ratio. Mortgage carrying costs are calculated based on 10 per cent down payment, the fixed five-year mortgage rate and the longest available amortization for a mortgage loan.

[1] MLS® is a registered trademark of the Canadian Real Estate Association.

Figure 4

Source: Ottawa Real Estate Board
Seasonal adjustment and forecast ranges calculated by CMHC

a widening gap between supply and demand.

CMHC expects the level of active supply to remain high, even as the rate of growth in new home listings will tend to subside gradually going into 2012. In turn, the record high level of supply will also serve as a counteracting force that will keep Ottawa's resale market firmly anchored within the balanced market conditions supportive of positive but modest house price growth.

Housing price growth will slow to match general inflation

Average home prices will continue to rise on the heels of favourable demand conditions, albeit at a more modest pace consistent with moderating economic fundamentals, closing this year with a 5 per cent increase when compared to 2010. Increased uncertainty and volatility will encourage a gradual shift in household demand in favour of more affordable housing choices. All of these factors will in turn combine to dampen average price growth potential going forward, with the pace in 2012 expected to match the general rate of inflation.

New Homes Market

Housing starts will scale back to demographic fundamentals

After a slow start of the year, residential construction activity in Canada's Capital is well positioned to finish the year on a positive note, reaching a level consistent with demographic fundamentals. In other words, given the central role of long term household formation growth as driver of new housing starts, Ottawa will post steady numbers in 2011, albeit lower than the brisk pace experienced last year, resulting in a decline of 11 per cent.

CMHC's forecast for housing starts continues to favour a shift in new home buying preferences toward more affordable housing choices. Several factors support this shift, namely the risks and headwinds weighing on the economic and labour market outlook, a moderating rate of resale spill-over demand, and the increasing significance of an ageing population trend. Going forward, demand for the popular condominium apartment segment will continue to rise, while semis and rows will combine to dethrone the single-detached homes segment as the new dominant low-rise dwelling types in Ottawa for the first time in over fifteen years.

Upbeat outlook for condominium apartment construction

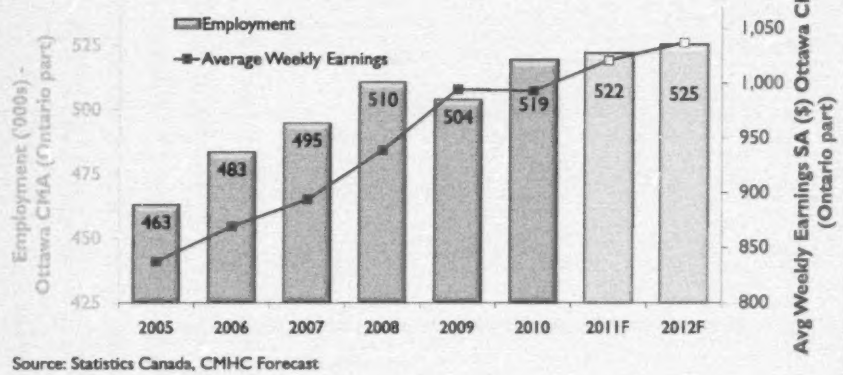
The latest building permit data, as well as rebounding traffic at sales offices and a growing crowd of new development projects at the planning stage all suggest upbeat building intentions for late-2011 and into 2012. However, most of the heavy lifting is coming from the condominium apartment market, while new low-rise prospects continue on a weakening trend. As construction cranes continue to populate the urban landscape, rising intensification levels will attract more people closer to Ottawa's core.

Construction activity for new condo apartment units is therefore expected to remain historically high by the end of this year and next, but still below the all-time record posted in 2010. Healthy demand for smaller but trendier condos closer to the core is coming from affluent young professionals and empty-nesters looking for an active and convenient urban lifestyle. This in turn constitutes evidence suggesting that builders continue to operate largely in tune with demand fundamentals and have so far refrained from speculative overbuilding in a market segment that is drawing in growing investor presence.

Households attracted to more central locations of the city are not only looking to buy increasingly higher-end new condo apartments, but they are also renting them at a growing pace due to Ottawa's tight rental apartment market. Migratory inflows

Figure 5

Positive but Moderate Employment Growth Ahead



Source: Statistics Canada, CMHC Forecast

to the city, steadily on the rise since 2006, will continue to support robust rental demand in the years to come, particularly for apartment units. Therefore, expect high-rise condo development in the core and closely surrounding trendy hubs along major transit routes to remain warm well into next year and beyond. With only few plans on the drawing boards, rental apartment construction is expected to remain subdued, opening the door to continued investor activity.

Low-rise outlook remains weaker with sluggish western suburbs

The outlook for low-rise starts has remained comparatively weaker due to the substitution in favour of more affordable housing. In fact, the share of single-detached construction in total activity will continue to decline and account for just a third of overall activity by 2012, the lowest in three decades. Pricier western neighbourhoods like Kanata and Goulbourn have for some time been among the main drags to growth. The eastern, more affordable suburbs of Cumberland and Gloucester outside of the Greenbelt, on the other hand, have so far proved comparatively more resilient in keeping their share of new singles and rows. Given their offering of more affordable units these areas retain a more positive outlook going forward.

Expect slower new home price growth

The 2011 new house price index for Ottawa will increase by an average of 3 per cent for the year despite prices moderating in the latter months. As the year-over-year effect of the HST is eliminated and builders adjust to slowing demand, a more moderate price growth trend will take hold. Expect further moderation in store for Ottawa's new house price index in 2012.

Economic Overview

Ottawa's labour market remains steady

While most jobseekers will still be able to find employment, a growing sense of discouragement has recently caused the labour force pool to stall following a significant expansion in 2010. The local workforce is therefore expected to remain largely unchanged by year-end and resume growth gradually in 2012. Ottawa's migratory inflow pull, which has been on the rise since 2006, will in turn remain positive but likely more moderate than in recent years as western Canada outperforms the rest of the country and attracts migrants from other provinces.

While Ottawa's public sector faces a moderate medium-term outlook, it is nevertheless on track to finish the year well above 2010 levels. Moving forward, Public Administration gradual decrease is expected to come largely from attrition which will mitigate the impact. Nevertheless, this sector will be less supportive of housing demand than in the past. With economic stimulus winding down and expected public administration restraint, Ottawa will have to rely once again more on business sector strength.

Since government jobs are among the highest paid in town, weekly earnings in Ottawa have recently been moving in a similar direction. Even so, employees will obtain a 2.8 and 1.6 per cent pay rise this year and next respectively, and so still enjoy one of the highest paycheques in Canada.

Local private sector activity will continue to push forward in order to take over as generator of growth while economic activity resumes gradually. Nevertheless, there is one silver lining arising from the recent global turmoil. Interest rates are widely expected to remain at historic lows for an extended period of time, encouraging business investment and consumer spending. The local high-tech sector will also benefit

from increasing business investments from companies trying to boost productivity given a high Canadian dollar.

Mortgage Rate Outlook

Recent announcements by the Bank of Canada have indicated that the Bank will be leaving the target overnight interest rate unchanged at 1.0 per cent for some time to come. The Bank has been noting that in light of slowing global economic momentum and heightened financial uncertainty, the need to withdraw monetary policy stimulus has diminished. The last increase in the overnight interest rate occurred on September 8, 2010 when the Bank of Canada raised it by 25 basis points. Mortgage rates, particularly short term mortgage rates and variable mortgage rates, are expected to remain at historically low levels.

According to CMHC's base case scenario, posted mortgage rates will remain relatively flat until late 2012. For 2012, the one-year posted mortgage rate is expected to be in the 3.4 to 3.8 per cent range, while the five-year posted mortgage rate is forecast to be within 5.2 to 5.7 per cent.

Forecast Summary Ottawa CMA Fall 2011							
	2008	2009	2010	2011f	% chg	2012f	% chg
Resale Market							
MLS® Sales	13,908	14,923	14,586	14,150	-3.0	13,870	-2.0
MLS® New Listings	24,196	22,290	25,061	26,000	3.7	25,700	-1.2
MLS® Average Price ($)	290,483	304,801	328,439	345,000	5.0	352,000	2.0
New Home Market							
Starts:							
Single-Detached	2,956	2,471	2,302	2,000	-13.1	1,850	-7.5
Multiples	4,042	3,343	4,144	3,720	-10.2	3,700	-0.5
Semi-Detached	213	299	362	375	3.6	360	-4.0
Row/Townhouse	2,153	1,909	1,928	1,870	-3.0	1,840	-1.6
Apartments	1,676	1,135	1,854	1,475	-20.4	1,500	1.7
Starts - Total	6,998	5,814	6,446	5,720	-11.3	5,550	-3.0
Average Price ($):							
Single-Detached	408,991	406,647	431,729	470,000	8.9	472,500	0.5
Semi-Detached	344,595	458,781	397,873	-	n/a	-	n/a
Median Price ($):							
Single-Detached	369,900	382,900	419,990	452,350	7.7	454,500	0.5
Semi-Detached	282,500	425,000	347,900	-	n/a	-	n/a
New Housing Price Index (% chg) (Ottawa-Gatineau)	3.7	1.5	4.0	3.0	-	2.0	-
Rental Market							
October Vacancy Rate (%)	1.4	1.5	1.6	1.3	-0.3	1.0	-0.3
Two-bedroom Average Rent (October) ($)	995	1,028	1,048	1,070	2.1	1,105	3.3
Economic Overview							
Mortgage Rate (1 year) (%)	6.70	4.02	3.49	3.60	-	3.56	-
Mortgage Rate (5 year) (%)	7.06	5.63	5.61	5.42	-	5.43	-
Annual Employment Level	510,400	503,600	519,000	521,750	0.5	525,000	0.6
Employment Growth (%)	3.2	-1.3	3.1	0.5	-	0.6	-
Unemployment rate (%)	4.8	5.6	6.5	5.8	-	6.0	-
Net Migration	8,488	9,255	11,914	9,750	-18.2	10,000	2.6

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

CMHC—HOME TO CANADIANS

Canada Mortgage and Housing Corporation (CMHC) has been Canada's national housing agency for more than 60 years.

Together with other housing stakeholders, we help ensure that the Canadian housing system remains one of the best in the world. We are committed to helping Canadians access a wide choice of quality, environmentally sustainable and affordable homes – homes that will continue to create vibrant and healthy communities and cities across the country.

For more information, visit our website at www.cmhc.ca

You can also reach us by phone at 1-800-668-2642 or by fax at 1-800-245-9274.
Outside Canada call 613-748-2003 or fax to 613-748-2016.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

The Market Analysis Centre's (MAC) electronic suite of national standardized products is now available for free on CMHC's website. You can now view, print, download or subscribe to future editions and get market information e-mailed automatically to you the same day it is released. It's quick and convenient! Go to www.cmhc.ca/housingmarketinformation

For more information on MAC and the wealth of housing market information available to you, visit us today at www.cmhc.ca/housingmarketinformation

To subscribe to priced, printed editions of MAC publications, call 1 800 668-2642.

©2008 Canada Mortgage and Housing Corporation. All rights reserved. CMHC grants reasonable rights of use of this publication's content solely for personal, corporate or public policy research, and educational purposes. This permission consists of the right to use the content for general reference purposes in written analyses and in the reporting of results, conclusions, and forecasts including the citation of limited amounts of supporting data extracted from this publication. Reasonable and limited rights of use are also permitted in commercial publications subject to the above criteria, and CMHC's right to request that such use be discontinued for any reason.

Any use of the publication's content must include the source of the information, including statistical data, acknowledged as follows:

Source: CMHC (or "Adapted from CMHC," if appropriate), name of product, year and date of publication issue.

Other than as outlined above, the content of the publication cannot be reproduced or transmitted to any person or, if acquired by an organization, to users outside the organization. Placing the publication, in whole or part, on a website accessible to the public or on any website accessible to persons not directly employed by the organization is not permitted. To use the content of any CMHC Market Analysis publication for any purpose other than the general reference purposes set out above or to request permission to reproduce large portions of, or entire CMHC Market Analysis publications, please contact the Canadian Housing Information Centre (CHIC) at mailto:chic@cmhc.gc.ca; (613) 748-2367 or 1 800 668-2642.

For permission, please provide CHIC with the following information:
Publication's name, year and date of issue.

Without limiting the generality of the foregoing, no portion of the content may be translated from English or French into any other language without the prior written permission of Canada Mortgage and Housing Corporation.

The information, analyses and opinions contained in this publication are based on various sources believed to be reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibility.

Housing market intelligence you can count on

FREE REPORTS AVAILABLE ON-LINE

- Canadian Housing Statistics
- Housing Information Monthly
- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Canada and Regional
- Housing Market Outlook, Major Centres
- Housing Market Tables: Selected South Central Ontario Centres
- Housing Now, Canada
- Housing Now, Major Centres
- Housing Now, Regional
- Monthly Housing Statistics
- Northern Housing Outlook Report
- Preliminary Housing Start Data
- Renovation and Home Purchase Report
- Rental Market Provincial Highlight Reports *Now semi-annual!*
- Rental Market Reports, Major Centres
- Rental Market Statistics *Now semi-annual!*
- Residential Construction Digest, Prairie Centres
- Seniors' Housing Reports
- Seniors' Housing Reports - Supplementary Tables, Regional

Get the market intelligence you need today!

Click www.cmhc.ca/housingmarketinformation to view, download or subscribe.

CMHC's Market Analysis Centre e-reports provide a wealth of detailed local, provincial, regional and national market information.

- **Forecasts and Analysis –** Future-oriented information about local, regional and national housing trends.
- **Statistics and Data –** Information on current housing market activities — starts, rents, vacancy rates and much more.

64311_2011_B02

CMHC Client e-Update Newsletter

Get the latest market in-sight, housing research and news on CMHC mortgage loan insurance to grow your business and enhance your client relationships. Everything you need to open new doors.